

APPENDIX D, CAPITAL FACILITIES FUNDING SUMMARY

Introduction

The Growth Management Act requires the City to identify the sources of funding for each type of capital facility. This section presents the funding sources for City funded capital facilities. Those capital facilities include infrastructure related to transportation, water, sewer, storm water and solid waste utilities, and parks, fire, police and general government facilities. Additional funding information on these and other capital facilities provided by non-municipal agencies is contained in Chapter 5 of this Vancouver comprehensive plan, and in individual service area plans adopted by reference (see Appendix E for full list).

This section presents an overview of capital facility funding sources, additional information on selected revenues, a brief explanation of the City's capital facility funding process and a summary of capital facility funding by capital facility and funding source.

Overview of capital facility funding sources

The City's capital facilities are funded by a variety of resources including dedicated funding that must be used for capital purposes and unrestricted resources that can be allocated to fund capital projects. Funding comes from the City and other sources originating outside the City such as State and Federal grants, and contributions from other agencies or organizations. Each of these sources is briefly described below.

Impact fees. State law allows the City to collect fees from owners or developers as development occurs to fund park acquisition, park development and transportation capital projects. The fee amount is determined by estimating the appropriate private sector cost of the capital facilities that are required to meet expected demand and achieve the established service level standard. The appropriate private sector cost is allocated to new development based in its estimated impact on demand. These impact fees must be expended on projects located in the area where they were collected within six years from the date they were collected and must be matched by the appropriate amount of public funding. For example, it is typical to have a combination of impact fees, State grants and other City contributions used to fund City transportation capital projects.

Systems Development Charges (SDCs). Like impact fees, SDCs are collected from owners and/or developers as development occurs to fund improvements to the water and sewer utilities. These funds may be expended on projects that expand utility system capacity and can either pay for debt service on bonds or for direct project expenditures.

Real Estate Excise Tax (REET). State statute authorizes the City to impose two taxes of ¼% each on the sale of real estate within the city limits. The proceeds of the tax must be used for capital purposes as allowed by State law and as directed by the City Council. The City has implemented both taxes. The proceeds from one ¼% REET are dedicated to the City's pavement management program in Transportation. Proceeds from the other ¼% REET are dedicated to funding General Capital Facilities through 2004. Beginning in 2005, 70% of the proceeds will be dedicated to funding the Firstenburg Community and other parks and recreation projects and the remaining 30% will be dedicated to funding neighborhood traffic safety projects.

Federal and State Grants. The City is very active in applying for grants from various federal and state agencies to fund capital facilities. These grants are typically available for a specific purpose. The City has had the most success in obtaining grants for transportation improvements, parks and trails, historic preservation and airport improvements. Both state and federal grants typically require the commitment of local funding as a match to the grant. In addition to grants from state or federal agencies, the City may allocate a portion of its Community Development Block Grant funding to selected capital projects.

Other Agencies. The City actively seeks out partnerships with other federal, state and local agencies to help fund capital facilities. These partnerships have been used in a number of programs but are more likely to be used in transportation and parks and recreation capital programs. Participating agencies often include Clark County, CTRAN, the Port of Vancouver and other local governments in Clark County.

Restricted Donations. Individual residents, local businesses and other organizations may also provide funding for specific capital projects. For example, Ed and Mary Firstenburg have pledged \$3 million to help fund the Firstenburg Community Center included in the 2003-2004 capital facilities plan.

General Obligation Bonds. Funding for capital facilities projects may be provided by general obligation bonds issued for specific purposes. General obligation bonds were issued to help fund the City's transportation capital program over the last several years. The source for repayment of the bonds can be from general fund revenue or from other revenue sources City Council dedicates for that purpose. The maximum amount of non-voted debt the City can issue is limited by state law to 1.5% of the City's assessed value. In 2003 the City had approximately \$50 million in available non-voted debt capacity with a projected amount of \$100 million by 2009.

Water and Sewer Utility Revenue Bonds. Revenue bonds issued by the City's water and sewer utilities have been used to fund specific capital projects for the utilities including expansion of sewage treatment capacity. The bonds are repaid from user fees charged to the water and sewer utilities customers and from SDCs (see above). Utility revenue bonds are repaid exclusively from utility revenues.

Voter Approved Bonds. Voters can approve a property tax levy to pay for bonds issued to fund capital projects. Any proposed voter approved bond levy requires 60% voter approval. The City currently has no voter approved bonds outstanding.

Arterial Street Fund. The Arterial Street Fund is a special revenue fund that receives state-shared gas tax revenues that must be used for capital projects on streets defined as arterial streets in the City's Transportation Improvement Plan.

Operating Funds. The City may allocate operating or general funds for capital purposes. Operating funds have been used in the past to fund capital facility improvements for transportation, parks and recreation and Pearson Airpark. Operating funds can be used to pay for projects directly or to pay principal and interest on bonds issued to fund capital projects. Excess operating funds are also used to fund capital projects for the City's utilities.

Additional information on selected revenues

The City has a number of general revenue sources that could be used to fund its capital facilities. Several of these revenues are unrestricted and available to fund the needs of general operations and maintenance as well as capital projects. In addition, some transportation capital funding sources are available but cannot be accessed without County Commissioner or voter approval.

Oftentimes, general revenues are used to pay the principal and interest on bonds used to fund capital projects. For reference, the estimated annual debt service on \$12 million in bonds carrying 5.5% interest and repaid over 20 years would be approximately \$1 million per year. A brief summary of these revenues is provided in Table D-1.

In addition, in 2003 City Council established a Transportation Funding Task Force to assess the City's funding needs related to transportation and the funding available to meet that need. The Task Force will consider new revenue sources for Transportation as part of their work. Final Task Force recommendations are expected in late 2003 or early 2004.

Table D-1. Vancouver revenue summary.

Source	\$ Estimate	Note
General City Taxes/Sources		
<u>Property Taxes</u>		
Levy Lid Lift (50% voter approval required)	\$1,800,000	Increases levy to \$3.325/\$1,000 maximum; Est. \$0.175 in 2005
Non-Voted Bonds (Paid from General Taxes)	\$6,000,000	Each \$6 million requires \$500,000 per year; Approx. \$50 million available in 2003
Voted bonds (60% voter approval required)	\$2,400,000	At \$0.25 per \$1,000; Supports payment on an estimated \$29 million in bonds
<u>Sales Tax</u>		
Increase local sales tax rate from 0.8% to 1.0%	\$3,800,000	Maximum local option sales tax is 1.0%
<u>Business & Occupation Tax</u>		
Re-establish B&O tax at 1992 rates: \$1/\$1,000	\$7,000,000	Tax on business gross receipts
<u>Business License Fee Increase</u>		
Implement a Per Employee License Fee	\$2,000,000	Estimated 40,000 employees (non-governmental) at \$50/yr. each
<u>Utility Tax</u>		
Standardize rate at 6% on electricity & natural gas	\$1,500,000	Currently 2% (electricity) & 1.25% (natural gas) on over \$2,000/mo.
Increase tax rate on City water and sewer utilities	\$350,000	Per 1% above current rate of 14.5%
Local Option Transportation Funding Sources - City Share		
<u>Local Option Gas Tax</u>		
Voter approval; simple majority; Countywide	\$1,000,000	Max. 10% of state tax (\$0.023/ gal.); per capita distribution
<u>Local Option Vehicle License Fee</u>		
By County Commission, subject to referendum	\$1,300,000	\$15 per vehicle; distributed on a per capita basis
<u>Other Local Option Transportation Funding</u>		
City Street Utility - Per Household Charge	\$6,000,000	Estimated 60,000 households at \$100 annually; Authority to impose not well established
Utility Sources		
Revenue Bonds (Payable from Utility Rates)	\$6,000,000	Each \$6 million in bonds requires approximately \$500,000 per year in debt service

Capital facility funding process

In recognition of the scarcity of capital funding sources the City has developed a process to assess capital facility funding requirements and allocate capital funding to projects. That process includes department requests, a City Manager recommendation and City Council consideration. Key elements of the City's capital facility budgeting approach include:

Department submission of capital budget requests. Using a template provided by City budget staff, the staff in selected City departments submit their capital facilities budget requests. This request includes an update on the budget, actual expenditures, and projected revenues of current projects as well as information on new projects expected to start in the next biennium. Although a project may have costs in future years, if it is scheduled to begin in the upcoming biennium the full cost of the project is included in that biennium's budget appropriation.

Balanced Budgets by Project. Each project has to have specific funding sources identified that must be in balance with the proposed expenditures.

Reasonably Funded Test. Budget staff compare the funding required for the capital facilities budget requests in each department to the revenues that are currently available and reasonably expected to be received in the biennium. All of the recommended projects are funded by available capital reserves and projected revenues. Where future revenues are relied upon, department revenue estimates are reviewed and discounted by budget staff to determine the amount of funding available to support proposed projects.

Review with Senior City Management. The City Manager, Assistant City Manager and the Public Works Director complete a review of the recommended capital facilities budget. After their review the appropriate adjustments are made and discussed with department staff.

Council Appropriation. The recommended capital facilities budget is presented to City Council for approval. Approval is in the form of an ordinance authorizing the appropriation.

Budget Monitoring. Once the appropriations are approved by City Council, capital projects are monitored by department, budget and accounting staff. Project expenses are compared to their authorized appropriation using a project length schedule and the appropriate project budget is reflected in the City's financial system. Budget controls in the City's financial system restrict a project from overspending its approved budget. If an additional appropriation for a specific project is required, the department must demonstrate to budget staff where the funding will come from. Any need for additional appropriation at the fund level must be presented to City Council for approval. Through the use of a project length schedule the appropriate project appropriations are automatically carried forward from year to year. Appropriations from bond funds also do not lapse and are continued at their appropriate level from year to year.

Capital facility funding summary

Table D-2. Estimates for specific sources of funding for each capital facility over 6- and 20-year period.

	Funding Estimate: 2004-2009	Funding Estimate: 2004-2023
Transportation		
Total Impact Fees	14,344,000	35,860,000
State & Federal Grants	26,190,000	65,475,000
City REET - 1st 1/4% - P Mgmt	10,701,000	26,753,000
City REET - 2nd 1/4%	2,628,000	6,570,000
State Gas Tax - Unobligated	1,800,000	4,500,000
Developer Contributions	7,186,000	17,965,000
Public Agency Partnerships	3,000,000	7,500,000
Street Fund Reserves	2,268,000	2,268,000
Reserves for Funded Projects	67,000,000	67,000,000
General Obligation Bonds	-	-
General Fund Support - Pavement Mgm't	8,220,000	20,550,000
New Funding - Task Force	44,714,000	151,991,000
Total Transportation	188,051,000	406,432,000
Parks		
Total Impact Fees	10,192,000	25,480,000
Grants and Donations	12,765,000	31,913,000
City REET - 1st 1/4%	756,000	3,381,000
REET Cash Reserves	3,970,000	3,970,000
Impact Fee Cash Reserves	5,568,000	5,568,000
General Obligation Bonds	18,000,000	18,000,000
General Capital Funding	255,000	255,000
Total Parks	51,506,000	88,567,000
Utilities		
Water Systems Development Charges	20,592,000	51,480,000
Sewer Systems Development Charges	23,988,000	59,970,000
Storm Water Systems Development Charges	2,500,000	6,250,000
Utility Operating Revenues - For Capital	24,000,000	60,000,000
Utility Capital Reserves	35,000,000	35,000,000
State & Federal Grants	-	-
Utility Revenue Bonds	-	-
Total Utilities	106,080,000	212,700,000
General Capital		
REET - 2nd 1/4%	3,654,000	-
State & Federal Grants	-	-
General Obligation Bonds	-	-
Cash Reserves	1,850,000	-
Public Agency Partnerships	700,000	-
General Fund	-	-
New Funding - TBD	20,000,000	40,000,000
Total General Capital	26,204,000	40,000,000
Grand Total Funding Sources	\$ 371,841,000	\$ 747,699,000

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